



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 17, 2003

H.R. 2441 **Millennium Challenge Account Authorization and** **Peace Corps Expansion Act of 2003**

*As ordered reported by the House Committee on International Relations
on June 12, 2003*

SUMMARY

H.R. 2441 would create a new foreign assistance agency, the Millennium Challenge Corporation, to provide economic assistance to developing countries that have demonstrated a commitment to a just and democratic government, economic freedom, and improved educational opportunities and health care for its citizens. The bill would authorize the appropriation of \$1.3 billion in 2004 and \$9.3 billion over the 2004-2006 period for the new corporation. The bill also would authorize appropriations totaling \$1.7 billion for the Peace Corps over the 2004-2007 period. In addition, the bill would authorize the appropriation of \$10 million to the Corporation for National and Community Service. CBO estimates that implementing the bill would cost \$9.1 billion over the 2004-2008 period, assuming the appropriation of the authorized amounts. The bill would not affect direct spending or receipts.

H.R. 2441 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2441 is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs) and 500 (education, training, employment, and social services).

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for the Peace Corps						
Budget Authority ^a	295	0	0	0	0	0
Estimated Outlays	288	59	7	1	0	0
Proposed Changes						
Authorization Level	0	1,677	3,412	5,456	499	0
Estimated Outlays	0	418	1,211	2,439	3,335	1,691
Spending Under H.R. 2441 for the Peace Corps and the Millennium Challenge Corporation						
Authorization Level ^a	295	1,677	3,412	5,456	499	0
Estimated Outlays	288	477	1,218	2,440	3,335	1,691

a. The 2003 level is the amount appropriated for that year for the Peace Corps.

BASIS OF ESTIMATE

The estimate assumes H.R. 2441 will be enacted late in fiscal year 2003; that the amounts authorized for 2004, 2005, 2006, and 2007 will be appropriated near the start of each fiscal year; and for existing programs, that spending will follow historical patterns.

Millennium Challenge Corporation. Division A of the bill would establish a new Millennium Challenge Corporation to provide assistance to developing countries. The bill would authorize the appropriation of \$1.3 billion in 2004, \$3 billion in 2005, and \$5 billion in 2006 to fund the corporation.

CBO estimates that outlays from the Millennium Challenge Corporation will be low during the first few years because of the normal delays in starting a new agency and the multiyear character of the program as authorized. CBO estimates that it would take three to six months to select a Chief Executive Officer to manage the Millennium Challenge Corporation, hire staff, write the necessary rules and regulations to administer the program, and establish interagency coordination. Only then would eligible countries be invited to submit a multiyear plan detailing how they would use the funds provided by the new program. CBO expects

that the effort to develop such plans would require considerable time since each country's plan must specify the objectives it would achieve with Millennium Challenge funds, describe the actions it would undertake to achieve those objectives, provide a time schedule for achieving those objectives, and identify benchmarks for assessing whether the country has achieved its objectives.

In addition, the bill also would require eligible countries to involve private-sector and voluntary organizations in preparing their plans. Thus, CBO estimates that few grants would be extended before the last quarter of fiscal year 2004. Moreover, because the bill would require periodic evaluations to determine whether the country is meeting its commitments, CBO believes that this multiyear program would probably have a spending pattern similar to existing development assistance programs.

Peace Corps. Division B of the bill would authorize the appropriation of \$367 million in 2004 and \$1.7 billion over the 2004-2007 period for the Peace Corps. It also would require the Director of the Peace Corps to develop a plan to increase the number of volunteers in service to 14,000 by 2007 and would increase the readjustment allowance authorized to returning volunteers from \$125 for each month of service to \$275 for each month of service in 2004 and \$300 a month for service thereafter. CBO estimates implementing these provisions would cost \$280 million in 2004 and \$1.6 billion over the 2004-2008 period, assuming the appropriation of the authorized amounts.

Corporation for National and Community Service. Section 1107 would authorize the appropriation of \$10 million to the Corporation for National and Community Service for grants to organizations that use returning Peace Corps volunteers for educational programs in local schools and libraries. CBO assumes, for this estimate, that these funds will be appropriated for fiscal year 2004.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2441 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATES

On May 28, 2003, CBO transmitted a cost estimate for the Millennium Challenge Act of 2003, as ordered reported by the Senate Committee on Foreign Relations on May 21, 2003. On April 24, 2003, CBO transmitted a cost estimate for the Foreign Relations Authorization Act, Fiscal Year 2004, as ordered reported by the Senate Committee on Foreign Relations on April 9, 2003. Title IX of that bill would authorize appropriations for the Peace Corps over the 2004-2007 period. The differences between our estimate for H.R. 2441 and the estimate for the two Senate bills reflect the higher amounts authorized for appropriation in H.R. 2441, and other changes.

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